

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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EXPERIMENTAL "RIDE-ALONG"  
CLASSIFICATION CHANGE FOR PERIODICALS, 1999

Docket No. MC00-1

REQUEST OF THE UNITED STATES POSTAL SERVICE  
FOR A RECOMMENDED DECISION ON AN EXPERIMENTAL  
"RIDE-ALONG" CLASSIFICATION CHANGE  
FOR PERIODICALS

UNITED STATES POSTAL SERVICE

By Its Attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

Scott L. Reiter  
Susan M. Ducheck

475 L'Enfant Plaza West, S.W.  
Room 6536  
Washington, D.C. 20260-I 137  
September 27, 1999

Documents relating to this request should be served upon Mr. Foucheaux at the above address.

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001**

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<b>EXPERIMENTAL "RIDE-ALONG" CLASSIFICATION CHANGE FOR PERIODICALS, 1999</b>
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Docket No. MC00-1

**REQUEST OF THE UNITED STATES POSTAL SERVICE  
FOR AN RECOMMENDED DECISION ON AN EXPERIMENTAL  
"RIDE-ALONG" CLASSIFICATION AND RATE FOR PERIODICALS MAIL  
(September 27, 1999)**

The United States Postal Service, pursuant to chapter 36 of title 39, has determined that an experimental classification change affecting Periodicals Mail would be in the public interest and in accordance with the policies and applicable criteria of that title. Accordingly, the Postal Service requests that the Postal Rate Commission submit to the Governors of the Postal Service a recommended decision which supports the implementation of the changes requested herein.

The Postal Service is proposing a two-year experiment in which Periodicals may contain enclosures that travel at a flat postage rate of ten cents rather than at the currently applicable Standard (A) rate. This proposed experimental "Ride-Along" classification change for Periodicals would be limited to one enclosure per Periodical, and that enclosure would have to meet stringent physical criteria. The desired outcome of the experiment would be to increase postal revenues.

By designating the instant request as one which involves an experimental change, the Postal Service intends for the Commission to apply its expedited Rules of

Practice and Procedure for experimental changes, §§ 3001.67 – 3001.67d of title 39, Code of Federal Regulations. This case marks the sixth time that the Postal Service has filed a request which it is denominating as experimental in accordance with these rules. As understood by the Postal Service, these rules are intended to facilitate compliance with its statutory duty to “plan, develop, promote, and provide adequate and efficient postal services,” 39 U.S.C. § 403(a), by allowing for expeditious changes to classifications, rates, and fees on an experimental basis. The experimental rules provide the framework for requesting experimental classifications in the absence of certain pertinent information that would normally underlie a request for a permanent change in rates or classifications.

The requested classification change will further the general policies of efficient postal operations and reasonable rates and fees enunciated in the Postal Reorganization Act. See 39 U.S.C. §§ 101 (a), 403(a), and 403(b). The requested change also conforms with the criteria of 39 U.S.C. § 3623(c) and § 3622(b).

In accordance with the Commission’s Rules of Practice and Procedure (39 C.F.R. §§ 3001.64 and 3001.67–3001.67d), the Postal Service files with this Request the prepared direct evidence on which it proposes to rely, which consists of two pieces of testimony. The page following this Request is an index of Attachments. The testimony has been marked for identification as shown in Attachment D. Further data submitted for informational purposes or in response to specific sections of the Rules of

Practice are included in the Attachment E. The Postal Service is also filing a proposed Stipulation and Agreement, to encourage the possibility of settlement of this case.

WHEREFORE, the United States Postal Service, pursuant to 39 U.S.C. § 3623(b), hereby requests the Postal Rate Commission to make and submit a recommended decision to the Governors supporting the Request of the Postal Service and recommending the proposed revisions to the Domestic Mail Classification Schedule set forth in Attachment A to this Request and the proposed revisions to the Periodicals Rate Schedules set forth in Attachment B.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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Scott L. Reiter

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Susan M. Duchek

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September 27, 1999

Docket No. MC00-1 Request

**LIST OF ATTACHMENTS**

Attachment A	Proposed Changes to Domestic Mail Classification Schedule § 443
Attachment B	Proposed Changes to Periodicals Rate Schedules
Attachment C	Certification
Attachment D	Index of Testimony, Exhibits, and Workpapers
Attachment E	Compliance Statement

Docket No. MC00-1 Request

Attachment A

Proposed Changes to Domestic Mail Classification Schedule § 443

PERIODICALS CLASSIFICATION SCHEDULE

**443 Attachments and Enclosures**

**443.1, General.**

\* \* \* \*

**443.1 a "Ride-Along" Attachments and Enclosures.** A limit of one Standard Mail piece, not exceeding the weight of the host copy and weighing a maximum of 3.3 ounces, from any of the subclasses listed in section 321 (Regular, Enhanced Carrier Route, Nonprofit or Nonprofit Enhanced Carrier Route) may be attached to or enclosed with an individual copy of Periodicals Mail for an additional postage payment of ten cents. Periodicals containing "Ride-Along" attachments or enclosures must maintain uniform thickness as specified by the Postal Service. The Periodicals piece with the "Ride-Along" must maintain the same shape and automation compatibility as it had before addition of the "Ride-Along" attachment or enclosure and meet other preparation requirements as specified by the Postal Service.

This provision expires [insert date corresponding to two years after its effective date].

Docket No. MC00-1 Request

Attachment B

Proposed Changes to Periodicals Rate Schedules



**PERIODICALS  
RATE SCHEDULE 42-I  
Regular Subclass<sup>1, 2, 12</sup>**

	<b>Postage Rate<sup>3</sup> Rate Unit (cents)</b>
Nonadvertising Portion:	Pound 16.1
Advertising Portion:"	
Delivery Office <sup>4</sup>	Pound 15.5
SCF <sup>5</sup>	Pound 17.8
1&2	Pound 21.5
3	Pound 22.9
4	Pound 26.3
5	Pound 31.6
6	Pound 37.1
7	Pound 43.8
8	Pound 49.5
Science of Agriculture	
Delivery Office	Pound 11.6
SCF	Pound 13.3
Zones 182	Pound 16.1
Less Nonadvertising Factor-6	5.9

Required Preparation'	Piece	29.4
Presorted to 3-digit	Piece	25.3
Presorted to 5-digit	Piece	19.7
Presorted to Carrier Route	Piece	12.2

Discounts:

Prepared to Delivery Office <sup>4</sup>	Piece	1.3
Prepared to SCF <sup>5</sup>	Piece	0.7
High Density'	Piece	1.9
Saturation'	Piece	3.7

Automation Discounts for Automation  
Compatible Mail<sup>10</sup>

From Required:

Prebarcoded letter size	Piece	6.2
Prebarcoded flats	Piece	4.6

From 3-Digit:

Prebarcoded letter size	Piece	4.7
Prebarcoded flats	Piece	3.9

From 5-Digit:

Prebarcoded letter size	Piece	3.5
Prebarcoded flats	Piece	2.9

## **SCHEDULE 421 NOTES**

1. The rates in this schedule also apply to commingled nonsubscriber, non-requester, complimentary, and sample copies in excess of 10 percent allowance in regular-rate, non-profit, and classroom periodicals.
2. Rates do not apply to otherwise regular rate mail that qualifies for the Within County rates in Schedule 423.2.
3. Charges are computed by adding the appropriate per-piece charge to the sum of the nonadvertising portion and the advertising portion, as applicable.
4. Applies to carrier route (including high density and saturation) mail delivered within the delivery area of the originating post office.
5. Applies to mail delivered within the SCF area of the originating **SCF office**.
6. For postage calculations, multiply the proportion of nonadvertising content by this factor and subtract from the applicable piece rate.
7. Mail not eligible for carrier-route, 5-digit or 3-digit rates.
8. Applicable **to** high density mail, deducted from carrier route presort rate,
9. Applicable to saturation mail, deducted from carrier route presort rate.
10. For automation compatible mail meeting applicable Postal Service regulations.
11. Not applicable to qualifying Nonprofit and Classroom publications containing 10 percent or **less** advertising content.
12. For a "Ride-Alons" item enclosed with or attached to a periodical, add \$0.10 per copy (experimental).

**PERIODICALS****RATE SCHEDULE 423.3<sup>11</sup>****PUBLICATIONS OF AUTHORIZED NONPROFIT ORGANIZATIONS<sup>10</sup>  
(FULL RATES)****Postage Rate'  
Rate Unit (cents)****Per Pound**

Nonadvertising portion:	Pound	15.6
Advertising portion: <sup>9</sup>		
Delivery Office <sup>2</sup>	Pound	15.5
SCF <sup>3</sup>	Pound	17.8
1&2	Pound	21.5
3	Pound	22.9
4	Pound	26.3
5	Pound	31.6
6	Pound	37.1
7	Pound	43.8
8	Pound	49.5

**Per Piece**

Less Nonadvertising Factor <sup>4</sup>		4.4
Required Preparation <sup>5</sup>	Piece	25.1
Presorted to 3-digit	Piece	20.8
Presorted to 5-digit	Piece	18.3
Presorted to Carrier Route	Piece	11.3

Discounts:

Prepared to Delivery Office <sup>2</sup>	Piece	0.7
Prepared to SCF <sup>3</sup>	Piece	0.4
High Density (formerly 125-Piece) <sup>6</sup>	Piece	1.9
Saturation <sup>7</sup>	Piece	3.7

Automation Discounts for Automation  
Compatible Mail<sup>8</sup>

From Required:

Prebarcoded letter size	Piece	6.2
Prebarcoded flats	Piece	4.6

From 3-Digit:

Prebarcoded letter size	Piece	4.7
Prebarcoded flats	Piece	2.4

From 5-Digit:

Prebarcoded letter size	Piece	3.5
Prebarcoded flats	Piece	2.1

#### SCHEDULE 423.3 NOTES

1. Charges are computed by adding the appropriate per-piece charge to the sum of the nonadvertising portion and the advertising portion, as applicable.
2. Applies to carrier route (including high density and saturation) mail delivered within the delivery area of the originating post office.
3. Applies to mail delivered within the **SCF** area of the originating SCF office.
4. For postage calculation, multiply the proportion of nonadvertising content by this factor and subtract from the applicable piece rate.
5. Mail not eligible for carrier route, 5-digit or 3-digit rates.
6. Applicable to high density mail, deducted from carrier route presort rate.
7. Applicable to saturation mail, deducted from carrier route presort rate.
8. For automation compatible mail meeting applicable Postal Service regulations.
9. Not applicable to publications containing 10 percent or less advertising content.
40. If qualified, nonprofit publications may use Within County rates for applicable portions of a mailing.
11. For a "Ride-Along" item enclosed with or attached to a periodical, add \$0.10 per copy (experimental).

**PERIODICALS**

**RATE SCHEDULE 423.4**

**CLASSROOM PUBLICATIONS<sup>10,11</sup>**  
**(Full Rates)**

	<b>Postage Rate<sup>1</sup></b>	<b>Rate Uni (cents)</b>
<b>Per Pound</b>		
Nonadvertising Portion:	Pound	15.6
Advertising <b>Portion:</b> '		
Delivery Office'	Pound	15.5
SCF <sup>3</sup>	Pound	17.8
1&2	Pound	21.5
3	Pound	22.9
4	Pound	26.3
5	Pound	31.6
6	Pound	37.1
7	Pound	43.8
8	Pound	49.5
<b>Per Piece</b>		
Less Nonadvertising Facto?		4.4
Required Preparation'	<b>Piece</b>	25.1
Presorted to 3-digit	Piece	20.8
Presorted to 5-digit	Piece	18.3

Presorted to Carrier Route	Piece	11.3
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Discounts:

Prepared to Delivery Office'	Piece	0.7
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Prepared to SCF	Piece	0.4
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High Density (formerly 125-Piece) <sup>6</sup>	Piece	1.9
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Saturation <sup>7</sup>	Piece	3.7
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Automation Discounts for Automation  
Compatible Mail<sup>8</sup>

From Required:

Prebarcoded Letter size	Piece	6.2
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Prebarcoded Flats	Piece	4.6
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From 3-Digit:

Prebarcoded Letter size	Piece	4.7
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Prebarcoded Flats	Piece	2.4
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From 5-Digit:

Prebarcoded Letter size	Piece	3.5
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Prebarcoded Flats	Piece	2.1
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#### SCHEDULE 423.4 NOTES

1. Charges are computed by adding the appropriate per-piece charge to the sum of the nonadvertising portion and the advertising portion, as applicable.
  2. Applies to carrier route (including 125-piece walk sequence and saturation) mail delivered within the delivery area of the originating post office.
  3. Applies to mail delivered within the SCF area of the originating SCF office.
  4. For postage calculation, multiply the proportion of nonadvertising content by this factor and subtract from the applicable piece rate.
  5. Mail not eligible for carrier route, 5-digit, or 3-digit rates.
  6. For walk sequenced mail in batches of 125 pieces or more from carrier route presorted mail.
  7. Applicable to saturation mail; deducted from carrier route presort rate.
  8. For automation compatible mail meeting applicable Postal Service regulations.
  9. Not applicable to publications containing 10 percent or less of advertising content.
  10. if qualified, classroom publications may use Within County rates for applicable portions of a mailing.
1. For a "Ride-Along" item enclosed with or attached to a periodical, add \$0.10 per copy (experimental).

**PERIODICALS  
RATE SCHEDULE 423.25**

**WITHIN COUNTY  
(Full Rates)**

	<b>Rate (cents)</b>
<b>Per Pound</b>	
General	13.3
Delivery Office <sup>1</sup>	10.7
<b>Per Piece</b>	
Required Presort	9.5
Presorted to 3-digit	8.8
Presorted to 5-digit	8.0
Carrier Route Presort	4.3
<b>Per Piece Discount</b>	
Delivery Office <sup>2</sup>	0.4
High Density (formerly 125 piece) <sup>3</sup>	1.4
Saturation	1.8
Automation Discounts for Automation Compatible Mail <sup>4</sup>	
From Required:	
Prebarcoded Letter size	<b>4.9</b>
Prebarcoded Flat <b>size</b>	3.0
From 3-digit:	
Prebarcoded Letter size	4.4
Prebarcoded Flat size	2.6
From 5-digit:	
Prebarcoded Letter <b>size</b>	<b>3.9</b>
Prebarcoded Flat size	2.2

CERTIFICATION

I, Lynn Malcolm, Manager, Activity-Based Management, Finance, United States Postal Service, am familiar with the attached Request of the United States Postal Service for a Recommended Decision on an Experimental "Ride-Along" Classification Change for Periodicals, together with the accompanying direct testimony and exhibits.

Pursuant to Rule 54(p) of the Postal Rate Commission's Rules of Practice and Procedure, 39 C.F.R. §3001.54(p) (1998), I hereby certify that I have read the Request, that the cost statements and supporting data submitted as part of that Request, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books, and that, to the best of my knowledge, information, and belief, every statement contained in the Request is proper.

A handwritten signature in cursive script, reading "Lynn Malcolm", is written over a solid horizontal line.

Lynn Malcolm

**INDEX OF TESTIMONY, EXHIBITS, AND WORKPAPERS**

**Witness:** Altaf H. Taufique

**Testimony:** USPS-T-1

**Exhibits:** Exhibit I, Volume and Revenue Estimates -- Standard (A) and "Ride-Along" Enclosures and Attachments

**Workpapers:** None

**Attorney:** Scott Reiter (202)268-2999; Susan Duchek (202) 268-2990

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**Witness:** Howard Schwartz

**Testimony:** USPS-T-2

**Exhibits:** None

**Workpapers:** None

**Attorney:** Scott Reiter (202)268-2999; Susan Duchek (202) 268-2990

Docket No. MC<sup>00-1</sup>~~99-5~~ Request

## Attachment E

## COMPLIANCE STATEMENT

This Attachment contains a statement of the manner in which the Postal Service has supplied the information requested in sections 54, 64 and 67 of the Commission's Rules of Practice and Procedure (39 CFR §§ 3001.54, 3001.64, and 3001.67). Where requested information is not included in direct testimony or exhibits of the Postal Service's witnesses, it is contained in the Request or in this or other attachments to the Request, or has been incorporated by reference in the testimony, exhibits, Request, or attachments made available to the Commission in the instant docket or made available to the Commission in Docket No. R97-1.

RULE: 64(b)(1), (2), (3), (4)

# INFORMATION REQUESTED:

These subsections request, for every classification change proposed:

- (1) copies of the currently-effective Domestic Mail Classification Schedule and the proposed changes thereto;
- (2) specification of the rules, regulations and practices that establish the conditions of mailability and standards of service;
- (3) a statement of the degree of economic substitutability between the various classes and subclasses; and
- (4) an identification of all nonpostal services.

## 7. *Present and Proposed Classification Schedule Provisions,*

Attachment A contains the affected provision of the Domestic Mail Classification Schedule, with the proposed additions underlined.

## 2. *Rules, Regulations, and Practices that Establish Conditions of Mailability and Standards of Service.*

The Postal Service's current rules and regulations that specifically govern the provision of domestic mail services are published in the Domestic Mail Manual, which is incorporated by reference in the Code of Federal Regulations, 39 CFR § 111, and incorporated here by reference. The Postal Service will promulgate rules and regulations consistent with the proposed classification schedule changes pursuant to its statutory authority. See 39 U.S.C. § 401(2).

## 3, *Degree of Economic Substitutability and Identification of Nonpostal Services.*

The testimonies of witnesses Taufique (USPS-T-1) and Schwartz (USPS-T-2) in this docket provides some information responsive to this subsection with respect to the “Ride-Along classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission’s Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference.

4. *Identification of nonpostal services.*

No nonpostal services pertain to the proposed change. Nonpostal services include: alien registration, sale of philatelic products, sale of food stamps, sale of passports, sale of migratory-bird hunting and conservation stamps, sale of miscellaneous products, Mailgram,<sup>1</sup> photocopy service, vending stands and vending machines, postmasters in Alaska serving as notaries public, and post office assistance to the Office of Personnel Management and the Selective Service System. From time to time, the Postal Service may offer other nonpostal services. Some of these nonpostal services may be provided on a limited or trial basis.

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<sup>1</sup> Although not a service, Mailgram is included here in recognition of its nonpostal nature.

Commission's Opinion and Recommended Decision in Docket No. R97-1, incorporated here by reference.

3. *Summary statement of special service arrangements.*

The requirements for qualifying for the proposed "Ride-Along" classification change for Periodicals are described in the testimony of witness Taufique (USPS-T-I) in this docket. Other pertinent information is provided in the response to this rule in Docket No. R97-1, in the Commission's Opinion and Recommended Decision in Docket No. R97-1, and in the DMM, incorporated here by reference.



RULE: 64(d)

INFORMATION REQUESTED:

This rule requests that the effects of the change on cost assignments, total costs, and total revenues be provided, both before and after the change.

The testimony of witness Taufique (USPS-T-I) in this docket provides some information responsive to this subsection with respect to the proposed "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. R97-1 and in the Commission's Opinion and Recommended Decision in Docket No. R97-1, incorporated here by reference. With respect to the effects of changes on cost assignments, total *costs* and total revenues, however, a motion to waive the requirements of this rule, insofar as they apply to this proposal, has been filed with the Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of their impact on the Postal Service's cost assignments, total costs and total revenues in the present fiscal year or in a "rollforward analysis" for a future test year.

RULE: 64(e)

INFORMATION REQUESTED:

This subsection requires that, whenever the Postal Service proposes to reassign a portion of one existing class or subclass of mail or service to another existing class or subclass of mail or service, the request must include a comparison of the before and after costs and revenues of handling the relevant classes or subclasses, and before and after costs and revenues of the portion that is to be reassigned.

The testimony of witness Taufique (USPS-T-I) in this docket provides some information responsive to this subsection with respect to the proposed “Ride-Along” classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission’s Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference. With respect to the effects of changes on costs and revenues of the relevant classes or subclasses and any portion reassigned, however, a motion to waive the requirements of this rule, insofar as they apply to this proposal, has been filed with the Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of its impact on the relevant classes and subclasses and any portion reassigned in the present fiscal year or in a “rollforward analysis” for a future test year.

RULE: 64(f)

INFORMATION REQUESTED:

This *rule* requires that the Postal Service provide a complete statement of the reasons and bases for the proposed changes.

The testimony of witness Taufique (USPS-T-'t) provides the reasons and bases for the proposed change.

RULE: 64(g)

INFORMATION REQUESTED:

This rule sets forth the requested format and filing requisites for workpapers.

Witnesses Taufique (USPS-T-1) and Schwartz (USPS-T-2) do not have any workpapers; none are needed to support the Request.

RULE: 64(h)

INFORMATION REQUESTED:

This rule calls for compliance with specified subsections of Rule 54 when the Postal Service proposes a change in the mail classification schedule having a rate, fee or total cost change implication.

The Rule 54 compliance statements, which include the response to this requirement, are incorporated here by reference. Other pertinent information is provided in the response to this rule in Docket No. R97-1 and in the Commission's Opinion and Recommended Decision in Docket No. R97-1, incorporated here by reference. A motion setting forth grounds for waiver of certain portions of Rule 54 accompanies this request. See Motion of the United States Postal Service for Waiver of Certain Provisions of Rule 64(h). The criteria of sections 3622 and 3623 are addressed in the testimony of witness Taufique (USPS-T-I).

RULE: 54(a)( 1)

INFORMATION REQUESTED:

This rule requires a description of any changes proposed by the Postal Service in the attribution procedures applied by the Commission in the most recent general rate proceeding in which its recommended rates or fees were adopted. The rule also requires that a Request proposing to change the cost attribution principles applied by the Commission in the most recent general rate proceeding in which its recommended rates were adopted include an alternate cost presentation satisfying Rule 54(h) that shows what the effect on the Postal Service's request would be if it did not propose changes in attribution principles.

This rule does not apply to this Request because the proposed changes do not include any changes to the cost attribution principles or procedures applied by the Commission in Docket No. R97-1.

RULE: 54 (c)

INFORMATION REQUESTED:

This rule requires that each request identify the characteristics of the mailer and the recipient, and describe the contents of items mailed within each class and subclass.

Information pertinent to this rule is identified in response to Rule 64(c)(I),  
incorporated here by reference.

RULE: 54(d)

INFORMATION REQUESTED:

This rule requests “an identification of the physical attributes of the items mailed by class and subclass, including shape, weight, and distance.”

Information pertinent to this rule is identified in the response to Rule 64(c)(2),  
incorporated here by reference.



RULE: 54(e)

INFORMATION REQUESTED:

To the extent that such information is not included within material supplied under rule 54(b)(2), this rule requires that each request describe the “special service arrangements provided to, or requested or required of, mailers by the Postal Service which bear upon the cost of service or the value of the mail service to both the sender and the recipient, e.g., services relating to mailer preparations in excess of requirements specified by the [Domestic *Mail* Manual], pick-up and delivery, expedited or deferred processing, and other similar activities performed.

Information pertinent to this rule is identified in the response to Rule 64(c)(3), incorporated here by reference.

RULE: 54(f)( 1)

INFORMATION REQUESTED:

This rule requires that the Postal Service provide in each request “the total actual accrued costs during the most recent fiscal year for which they are reasonably available.”

Actual accrued costs for FY 1998 are presented in the Cost and Revenue Analysis (CRA) Report on file with the Commission.

RULE: 54(f)(2) (Basic Submissions)

INFORMATION REQUESTED:

This rule requests:

- for the year in which the filing is made, estimates of the total actual accrued costs of the Postal Service, assuming the prefiling (existing) rates and fees;
- for the year in which the filing is made, estimates of the total actual accrued costs of the Postal Service, assuming the proposed rates and fees;
- for a year which forms the basis for the proposed rates and fees, beginning not more than 24 months after the filing date of the Request, estimates of the total actual accrued costs of the Postal Service, assuming the prefiling (existing) rates and fees;
- for a year which forms the basis for the proposed rates and fees, estimates of the total actual accrued costs of the Postal Service, assuming the proposed rates and fees.

The testimony of witness **Taufique** (USPS-T-I) in this docket provides some information responsive to this subsection with respect to the proposed "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission's Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference. With respect to the effects of changes on total costs, however, a motion to waive the requirements of this rule, insofar as they apply to this proposal, has been filed with the Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of its impact on the Postal Service's total costs in the present fiscal year or in a "rollforward analysis" for a future test year.

RULE: 54(f)(2) (Methods and Procedures)

INFORMATION REQUESTED:

For the estimated total accrued costs specified in this provision, the rule requests an explanation of the methods and procedures used for the cost projections, including

- an explanation of the projection of total volumes;
- an explanation of the effect of the projected volume levels on estimated total costs;
- specification of the cost savings which will be realized from gains and improvements in total productivity, indicating such factors as operational and technological advances and innovations;
- identification of abnormal costs which are expected to be incurred in the test year.

The testimony of witness **Taufique** (USPS-T-I) in this docket provides some information responsive to this subsection with respect to the proposed "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission's Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference. With respect to the effects of changes on total costs and total volumes, however, a motion to waive the requirements of this rule, insofar as they apply to this **proposal**, has been filed with the Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of its impact on the Postal Service's total costs and total volumes in the present fiscal year or in a "rollforward analysis" for a future test year.

RULE: 54(f)(3)(i) and (ii) (Operating Costs)

INFORMATION REQUESTED:

This rule requires that the cost presentations prepared in response to paragraphs (f)(I) and (f)(Z) of Rule 54 must show the following:

- the Postal Service's operating costs, described in "sufficient detail as to the accounting and functional classifications and with such reasonable explanation so that the actual or estimated amount for each item of expense may be readily understood"; and
- full explanations for the amounts included for depreciation on capital facilities and equipment, debt service, contingencies, and extraordinary or nonrecurring expenses.

The testimony of witness Taufique (USPS-T-I) in this docket provides some information responsive to this subsection with respect to the proposed "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. R97-1 and in the Commission's Opinion and Recommended Decision in Docket No. R97-1, incorporated here by reference. With respect to the effects of changes on operating and depreciation costs, however, a motion to waive the requirements of this rule, insofar as they apply to this proposal, has been filed with the Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of its impact on the Postal Service's operating and depreciation costs in the present fiscal year or in a "rollforward analysis" for a future test year.

RULE: 54(f)(3)(iii) (Cost Assignment and Distribution)

INFORMATION REQUESTED:

This rule requires that the cost presentations prepared in response to paragraphs (f)(1) and (f)(2) of Rule 54 must show the assignment and distribution of costs to each of the functions "comprising the mail process," including,

- an itemization of costs by the major accounts as reflected by the Service's books of account for all cost segments;
- an itemization of costs by functions such as collection, acceptance, general overheads, **etc.**;
- an assignment and distribution of the costs by account, together with related mail volumes, for each function;
- an assignment and distribution of the costs by account, together with related mail volumes, to "such subfunctions within each category for which information is available or can be developed";
- an explanation of the method by which the costs by account are assigned and distributed to functions.

The testimony of witness **Taufique** (USPS-T-I) in this docket provides some information responsive to this subsection with respect to the "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission's Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference. With respect to the effects of changes on functional costs, however, a motion to waive the requirements of this rule, insofar as they **apply** to this proposal, has been filed with the Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of its impact on the Postal

Service's functional costs in the present fiscal year or in a "rollforward analysis" for a future test year.

RULE: 54(h)( 1)

INFORMATION REQUESTED:

This rule requests the separation of actual and estimated total costs, for the fiscal years specified in Rule 54(f), as between postal services (including international mail) and nonpostal services. "The presentation shall show the methodology for separating postal costs as between postal services and nonpostal services, and shall be in sufficient detail to allow a determination that no nonpostal costs have been assigned or allocated to postal services."

The testimony of witness **Taufique** (USPS-T-j) in this docket provides some information responsive to this subsection with respect to the proposed "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission's Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference. With respect to the effects of changes on total costs, however, a motion to waive the requirements of this rule, insofar as they apply to this proposal, has been filed with the Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, , the Postal Service has not prepared a full analysis of its impact on the Postal Service's total costs in the present fiscal year or in a "rollforward analysis" for a future test year.



RULE: 54(h)(2) and (3) (Separation of costs)

INFORMATION REQUESTED:

For the actual and estimated total costs presented for the years specified in rule 54(f), these rules request the costs to be separated as follows:

- those direct costs which can be attributed to each class of mail or type of mail service;
- those indirect costs which can be attributed to each class of mail or type of mail service;
- any other costs of the Service which can be reasonably assigned to each class of mail or type of mail service;
- any other costs of the Postal Service which cannot be attributed or reasonably assigned.

The methodology used to derive these costs is requested to be set forth in detail.

The testimony of witness Taufique (USPS-T-I) in this docket provides some information responsive to this subsection with respect to the proposed "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission's Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference. With respect to the effects of changes on total costs, however, a motion to waive the requirements of this rule, insofar as they apply to this proposal, has been filed with the Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of its impact on the Postal Service's total costs in the present fiscal year or in a "rollforward analysis" for a future test year.

RULE: 54(h)(4), (12)

INFORMATION REQUESTED:

This rule applies to the costs identified in rule 54(h)(2). It requests that these costs be separately attributed to mail classes, subclasses, and special services. It also requests identification of the methodology used in attribution and an analysis of the effect of costs on the following:

- volume;
- peaking patterns;
- priority of handling;
- mailer preparations;
- quality of service;
- the physical nature of the item mailed;
- expected gains in total productivity, indicating such factors as operational and technological advances and innovations;
- any other factor affecting costs.

The data relevant to the analyses of the effect on costs of these factors is also to be provided.

The testimony of witness **Taufique** (USPS-T-I) in this docket provides some information responsive to this subsection with respect to the proposed "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission's Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference. With respect to the effects of changes on total costs, however, a motion to waive the requirements of this rule, insofar as they apply to this proposal, has been filed with the

Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of its impact on the Postal Service's total costs in the present fiscal year or in a "rollforward analysis" for a future test year.

RULE: 54(h)(5) - (h)(10) ("Roll-Forward" model)

INFORMATION REQUESTED:

These provisions generally specify particular items which are to be included in the presentation of the process by which base year costs are rolled-forward to test-year costs, such as listings of the forecasting factors, piggyback factors, interim period workpapers, and an overall summary cost table. Rules 54(h)(6) and (7) request an explanation of the attributable cost final adjustments and the "other services" adjustments.

The testimony of witness **Taufique** (USPS-T-f) in this docket provides some information responsive to this subsection with respect to the proposed "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission's Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference. With respect to the effects of changes on total costs, however, a motion to waive the requirements of this rule, insofar as they apply to this proposal, has been filed with the Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of its impact on the Postal Service's total costs in the present fiscal year or in a "rollforward analysis" for a future test year.

RULE: 54(i)

INFORMATION REQUESTED:

This rule requires a statement of the criteria employed by the Postal Service in construction of the proposed rate schedule. The statement must include:

- the identification of the relationship between the revenues derived from the rates and fees for a particular class and subclass of mail or service and the costs attributed and assigned to that class or subclass of service;
- the identification of the procedures and methods used to apportion (to postal services) that part of the total revenue requirement, which is in excess of costs attributed;
- such other studies, information and data relevant to the criteria established by section 3622 of title 39, U.S.C., with appropriate explanations as will assist the Commission in determining whether or not the proposed rates *or* fees are in accordance with such criteria.

The testimony of witness Taufique (USPS-T-I) in this docket provides some information responsive to this subsection with respect to the proposed "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission's Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference. With respect to the effects of changes on total revenues and total costs, however, a motion to waive the requirements of this rule, insofar as they apply to this proposal, has been filed with the Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of its

impact on the Postal Service's total costs in the present fiscal year or in a "rollforward analysis" for a future test year.

RULE: 54(j)(1), (2), (3), and (4)

#### INFORMATION REQUESTED:

These rules require specification of revenues for certain fiscal years, including the test year. Revenues must be submitted for

- FY 1999, assuming prefiling (existing) rates and fees;
- test year, assuming **prefiling** (existing) rates and fees;
- test year, assuming proposed rates and fees.

The actual and estimated revenues for these years must be shown in total and separately for each class and subclass of mail and postal service and for all other sources from which the Postal Service collects revenues.

Each revenue presentation must be supported by identification of the methods and procedures employed.

The testimony of witness Taufique (USPS-T-1) in this docket provides some information responsive to this subsection with respect to the proposed "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. R97-1 and in the Commission's Opinion and Recommended Decision in Docket No. R97-1, incorporated here by reference. With respect to the effects of changes on total revenues, however, a motion to waive the requirements of this rule, insofar as they apply to this proposal, has been filed with the Request. Because of experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of its impact on the Postal Service's total revenues in the present fiscal year or in a "rollforward analysis" for a future test year.

RULE: 54(j)(5) (volume estimates)

INFORMATION REQUESTED:

This rule requires that the Postal Service present for each class and subclass of mail and special service

- for each postal quarter beginning with the first quarter of the most recent complete fiscal year and ending one year beyond the last quarter of the test year, actual or estimated mail volumes at the ~~prefiled~~ (existing) rates and fees;
- for each postal quarter beginning with the quarter in which the rates are assumed to become effective and ending one year beyond the last quarter of the test year, the estimated volume of mail assuming the effectiveness of the proposed rates.

The testimony of witness Taufique (USPS-T-I) in this docket provides some information responsive to this subsection with respect to the proposed "Ride-Along" classification change for Periodicals. Other pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission's Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference. With respect to the effects of changes on total volumes, however, a motion to waive the requirements of this rule, insofar as they apply to this proposal, has been filed with the Request. Because of the experimental nature of this proposal and its anticipated insignificant effect, the Postal Service has not prepared a full analysis of its impact on the Postal Service's total volumes in the present fiscal year or in a "rollforward analysis" for a future test year.



RULE: 54(j)(5), (6), (7) (Demand study -- methodology and documentation)

INFORMATION REQUESTED:

These rules require that the volume estimates provided pursuant to Rule 54(j)(5) must be derived from an econometric demand study relating postal volumes to their economic and noneconomic determinants, including postal rates, discounts and fees, personal income, business conditions, competitive and complementary postal services, competitive and complementary nonpostal activities, population, trend, seasonal patterns and other factors. The study must be furnished with the request, and any departure from the assumptions and specifications in the demand study made in estimating volumes of any class or subclass of mail must be explained.

For volume and revenue estimates, and subject to Rule 54(a)(2), the Postal Service must provide:

- a detailed explanation of the methodology employed to forecast volumes for each class and subclass of mail and postal service. Representative derivations of these forecasts from the econometric demand study must be presented in detail for two major mail classes, showing each intermediate value or factor employed. For remaining classes and subclasses of mail, such derivations may be summarized, except where their derivations depart from the representative methods presented;
- a detailed explanation of the methodology employed to forecast changes in revenues for each class and subclass of mail and postal service resulting from changes in rates and fees;
- a computer implementation of the methodology employed to forecast volumes and revenues for each class and subclass of mail and postal service. The computer implementation must comply with Rule 31 (k)(3), and must be able to compute forecasts of volumes and revenues compatible with those specified in Rules 54(j)(2), (3), and (5) for
  - any set of rates and fees within a reasonable range of the **prefiled** (existing) and the proposed rates,
  - any date of implementation within the range spanned by the assumed date of implementation and the start of the test year,
  - alternative forecasts of the economic determinants of postal volumes, other than postal rates and fees, and

RULE: 54(k)

INFORMATION REQUESTED:

This rule requests that the Postal Service provide, for the two fiscal years immediately preceding the year in which the request is filed, the Balance Sheet, the Statement of Income and Expense, basic statistical information, and the Statement of Income and Expense by budget category. This includes data with respect to the following:

- (1) the Balance Sheet and a supporting schedule for each item that appears thereon;
- (2) the Statement of Income and Expense and a supporting schedule for each item appearing thereon;
- (3) as appropriate, statistical data with respect to revenue, pieces (by physical attributes, showing separately amounts of mail identified as stamped, metered, and imprinted, or other), weight, distance, postal employees (number, total payroll, productivity, etc.), postal space, post offices (number, classes, etc.), and any other pertinent factors which have been utilized in the development of the suggested rate schedule; and
- (4) the Statement of Income and Expense by cost segment.

In addition, this rule requests that the Postal Service provide a reconciliation of the budgetary information with the actual accrued costs for the most recent fiscal year. If the fiscal information for the immediately preceding fiscal year is not fully available on the date of filing, the Postal Service is requested to make a preliminary or pro forma submittal, and file an updated report once the fiscal information is completed.

Financial information for FY 1997 and FY 1998 most recently was provided as

Attachment D to the Request in Docket No. MC99-3, and is incorporated here by reference.

RULE: 54(I)

INFORMATION REQUESTED::

This rule requests that the Postal Service provide:

- (1) a statement that shows for each class and subclass of mail and postal service the relevant billing determinants (the volume of mail related to ~~each rate element~~ in determining revenues) separately for the current and proposed rates. The proposed changes in rate design and the related adjustments of billing determinants should be explained in detail.
- (2) for third-class bulk mail, this rule requires that every formal request must set forth separately for regular and preferred, by presort level, the base year volume by ounce increment for each shape (letter-size, flat, irregular parcels, parcels).

Pertinent information is provided in the response to this rule in Docket No. R97-1 and in the Commission's Opinion and Recommended Decision in Docket No. R97-1, incorporated here by reference, and in the billing determinants for FY 1997, the most recent available, which were filed with the Commission on July 9, 1998.

RULE: 54(m)

INFORMATION REQUESTED:

This rule requests a statement, which can be in workpaper form, presenting detailed calculations of continuing appropriations according to 39 U.S.C. § 2401 (c) and phasing appropriations under 39 U.S.C. § 3626 and any proposed adjustment to such phased rates under 39 U.S.C. § 3627 indicated by circumstances known at the time of the filing. Calculation of all the phased rates for the entire applicable phasing period should be explained in detail.

Pertinent information is provided in the response to this rule in Docket No. **R97-1** and in the Commission's Opinion and Recommended Decision in Docket No. **R97-1**, incorporated here by reference.

RULE: 54(n)

INFORMATION REQUESTED:

This rule requests identification of any performance goals which have been established for the classes and subclasses of mail. The Request must identify the achieved levels of service for those classes and subclasses of mail and mail services for which performance goals have been set.

Pertinent information is provided in the response to this rule in Docket No. R97-1 and in the Commission's Opinion and Recommended Decision in Docket No. R97-1, incorporated here by reference.

RULE: 54(o)

INFORMATION REQUESTED:

This rule requires seven sets of workpapers to be filed with the Request.

Witnesses Taufique (USPS-T-1) and Schwartz (USPS-T-2) do not have any workpapers; none are needed to support the Request.

RULE: 54(q)

INFORMATION REQUESTED:

This rule requests an opinion from an independent public accountant to the extent and as required by 39 U.S.C. § 2008(e).

An opinion from the independent accounting firm of Ernst & Young covering Fiscal Years 1997 and 1998 most recently was provided as Attachment D to the Request in Docket No. MC99-3, and is incorporated here by reference.

In addition to the information required by Rules 54 and 64, Rule 67 establishes specific requirements for experiments. Each requirement is listed below, followed by the response.

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RULE: 67(b)(4)

INFORMATION REQUESTED:

The desired duration of the experiment as indicated by the Postal Service in its request and, specifically, in its proposed Domestic Mail Classification Schedule language.

A proposed classification provision, including a desired termination date for the experiment, is provided as Attachment A to the instant Request.



R U L E : 67c

INFORMATION REQUESTED:

A plan for data collection including designation of unavailable data called for by section 3001.64.

A proposed data collection plan for the experiment is contained in the testimony of witness Taufique (USPS-T-I).